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NETHERLANDS ANTILLES

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NETHERLANDS ANTILIES: KEY ECONOMIC INDICATORS
(Values estimated in millions of U.S. dollars unless stated.)

Income, Production, Employment	
Gross National Product	990
Per capita income (thousands)	5
Population (thousands)	198
Labor Force (thousands)	70
Employed (thousands)	53
Unemployed (thousands)	17
Minimum Wages (U.S. dollars per month in 1984)	
Construction	518
Banks, Hotels, Restaurants	385
Commercial Employees	333
Domestic Services	160

Money and Prices	1985	1986	1987
Money Supply	768	718	789
Money	308	296	339
Near-Money	460	422	450
Consumer Price Index	100.3	103.3	105.6

Balance of Trade for Bonaire and Curacao	1985	1986
Total Exports (FOB)	956	924
Total Imports (CIF)	1125	1120
Balance of Trade	-169	-196
Total Non-oil Exports	34	43
Total Non-oil Imports	367	395
Balance on Non-oil Trade	-333	-352

Trade with United States for Bonaire and Curacao	1985	1986
Total Exports to U.S. (CIF)	821	482
Petroleum Exports	734	425
Imports from U.S.	403	369

Tourism Stay-over Visitors (Thousands)	1985	1986	1987
St. Maarten (2150 rooms)	346	439	496
Curacao (1250 rooms)	116	128	134
Bonaire (500 rooms)	24	27	30
Cruise Ship Calls (each)			
St. Maarten	242	360	452
Curacao	162	182	158
Bonaire	4	5	22

Curacao's Isla Oil Refinery	
Capacity	300,000 barrels per day
Production (avg. 1st half 1987)	160,000 barrels per day
Markets (first half 1986)	
Latin America	37 percent
United States	34 percent
Europe	15 percent
Other	14 percent

SUMMARY

The Netherlands Antilles consists of five diverse Caribbean islands -- Curacao, St. Maarten, Bonaire, St. Eustatius, and Saba. Tourism, petroleum refining, and offshore financing are the mainstays of a relatively prosperous economy, which must adjust to declining government revenues.

The islands are a self-governing component of the Kingdom of the Netherlands, which maintains responsibility for foreign policy and defense and provides economic assistance. Aruba separated from the Antilles in 1986 and now also enjoys self-governing status. Aruba is slated for full independence in 1996, but no date has been established for independence of the Netherlands Antilles.

The Antilles enjoys a comparatively high per capita income and well-developed infrastructure compared to other countries in the region. The population is well-educated and multilingual. English is spoken widely. The currency is pegged to the U.S. dollar at 1.78 florins to the dollar. Inflation consequently mirrors trends in the United States. Unlike many Latin American countries, the Antilles have avoided large international debts. International reserves stood at $266 million at the end of the third quarter of 1987.

Almost all consumer and capital goods are imported, and the United States is the islands' major supplier. Local manufacturing and agricultural production have been limited by a lack of natural resources, a generally arid climate, relatively high wages, and high utility and transportation costs. Antillean products, however, have preferential access to both the European Economic Community and the United States, the latter through the Caribbean Basin Initiative (CBI). Social benefits follow the Dutch model, and a law requires government approval before the dismissal of permanent employees.

CURRENT ECONOMIC SITUATION AND TRENDS

The depressed state of the world oil market and declining tax revenues have adversely affected the Antillean economy. The decline in oil prices led to the devaluation of the Venezuelan bolivar in 1983, which ended a substantial flow of Venezuelan tourists. In 1985 Shell abandoned the refinery which had brought prosperity to Curacao. The Venezuelan petroleum company took over on a 5-year lease, but on terms which mean less employment, lower wages, and lower government revenues than before. In 1987 the lease was renewed through 1994. In the mid 1990s, the refinery will need major new capital investments.

The proceeds of a profits tax on Curacao's offshore financial sector were a major source of government income, but they are projected to decline from almost $200 million in 1985 to under $100 million in 1989. To cope with the decline, some 1,000 government jobs were eliminated in 1986. As many as 3,000 more will have to go in order to balance the budget by 1990, according to the recommendations of a consulting firm. A dispute between political parties over the reduction of government expenditures contributed directly to the fall of the government of Prime Minister Martina in early 1988. As a result of the revenue decline, the Antillean Government is seeking budget support from the government of the Netherlands.

Economic conditions vary, however, from island to island.

Curacao: With some 160,000 inhabitants, Curacao is by far the largest market in the Antilles. Located about 35 miles off the coast of Venezuela, it has a diversified, if depressed, economy -- which includes an oil refinery, the largest repair drydock in the Western Hemisphere, a container port, an offshore financial sector, six major tourist hotels, oil transshipment and storage facilities, and a limestone mine. A rapidly growing free zone supplies goods to retailers on other Caribbean islands. The capital of the Antilles and the site of a Dutch military base, Curacao has daily air connections to the United States. Unemployment approaches 30 percent. The offshore financial sector is projected to contract and Curacao's large public sector will contract as a result. The business climate, nevertheless, improved in 1987 compared to the previous year, according to a Curacao Chamber of Commerce survey. The development of tourism is a priority, and the government has sold one of the major hotels to private interests. Ground was broken for the island's first new hotel in 18 years. A new Sonesta hotel is planned adjacent to the International Trade Center, which is due to open this year.

St. Maarten: With some 25,000 inhabitants, St. Maarten is the center of the three Windward Islands, about 500 miles to the northeast of Curacao. The northern part of the island is part of France and is called St. Martin. St. Maarten is enjoying an economic boom based on tourism and is now the most prosperous of the Antillean islands. Stay over tourism more than doubled between 1980 and 1986. As a result the island is attracting illegal immigrants and has no unemployment. Local authorities enjoy substantial autonomy. All three Windward Islands are free ports with no customs duties, and protectionist measures which apply on Curacao and Bonaire do not extend to the Windward Islands.

Bonaire: Next in size with 10,000 inhabitants, Bonaire has a small but diversified economy based on tourism, petroleum transshipment, radio broadcasting, and salt mining. The island is one of the best dive sites in the world, and tourism has been built around the specialized needs of the diver.

St. Eustatius and Saba: With 1,500 and 1,000 inhabitants, respectively, these Windward Islands are the smallest in the Antilles. The government is the major employer on each. St. Eustatius (or Statia) also has an oil transshipment terminal, and Saba has a small handicraft industry. Both islands attract short-stay tourists from St. Maarten.

OPPORTUNITIES FOR U.S. BUSINESS

Tourism: The Antilles offer opportunities for investment in new or existing hotels, as well as for suppliers of goods and services to the tourist industry. On Curacao, for example, most hotels are now owned by a government holding company, which is looking for private investors to purchase the properties. Investment possibilities in several new tourism projects also exist. The government offers a 10-year tax holiday and other incentives to new investors.

International Trade Center: Curacao is due to complete a new trade center in 1988. The facility will consist of an office building, exhibition hall, convention center, and trade mart with permanent showrooms. The center is designed to provide modern facilities and to take advantage of Curacao's connections with the markets of Europe, Latin America, and North America.

Manufacturing: Products from the Netherlands Antilles enjoy preferential access to both the United States and the European Common Market. Paint and soap products, for example, have been exported to the United States duty free under CBI. At the same time, the Antillean Government has protected manufacturers in Curacao and Bonaire against foreign competition. If that policy is continued by the new government due to take office in 1988, investors in new manufacturing enterprises would benefit from a protected local market and preferential access to major foreign markets, as well as from investment incentives like a 10-year tax holiday and accelerated depreciation.

Merchandise Sales: In 1985 the Antilles bought some $400 million worth of American products. The population of just under 200,000 is swelled by foreign tourists, many of them from the United States. The Antilles also resell U.S. goods to other countries in the region, especially through the Curacao free zone. U.S. goods, however, face competition from inexpensive Venezuelan products and outright exclusion from Curacao and Bonaire if substitutes are manufactured locally.

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